

## Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:INTL:B03

PLR-135540-06

Date:

August 17, 2006

TY:

### Legend

Corp A =

Corp B =

Corp C =

Entity D =

DE1 =

DE2 =

DE3 =

DE4 =

DE5 =

DE6 =

DE7 =

Country L =

Country M =

Country N =

Date O =

Date P =

Tax Year X =

Tax Year Y =  
Z =

Dear :

This is in response to your letter dated July 20, 2006, in which you requested consent for Corp A to revoke, effective for Tax Year Y and all subsequent taxable years, its election made on Date O, effective for Tax Year X, to use the safe harbor method described in Treas. Reg. §1.901-2A(c)(3) in determining the amount of foreign income tax paid or accrued to Country M. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is based upon information and representations submitted by Corp A and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Corp A is a domestic corporation that is the common parent of an affiliated group of corporations ("the Corp A Group") that has filed a U.S. consolidated federal income tax return on a calendar year basis since Tax Year X.

Corp A owns all of the stock of Corp C, a domestic corporation that is a member of the Corp A Group and that has operations in Country M.

Corp B is a wholly owned domestic subsidiary of Corp A and a member of the Corp A Group. Corp B owns Z percent of Entity D, a Country L corporation that is a tax resident of Country N. Entity D is treated as a partnership for U.S. federal income tax purposes. Entity D owns all of DE1, a Country M corporation. DE1 owns all of DE2, DE3, DE4, DE5, DE6, and DE7, all of which are Country M corporations that are tax residents of Country M. DE1, DE2, DE3, DE4, DE5, DE6, and DE7 are all treated as disregarded entities for U.S. federal income tax purposes.

Corp C and Entity D are dual capacity taxpayers, as defined in Treas. Reg. §1.901-2(a)(2)(ii)(A), with respect to their operations in Country M. On Date O, Corp A elected, pursuant to §1.901-2A(d)(3), to apply the safe harbor method with respect to all qualifying levies imposed by Country M, effective for Tax Year X. Corp A's safe harbor election has not been revoked under §1.901-2A(2)(d)(4). The due date (including extensions) for Corp A's U.S. consolidated federal income tax return for Tax Year Y is Date P, which is more than 30 days after July 20, 2006.

Treas. Reg. §1.901-2A(c)(1) permits dual capacity taxpayers in computing foreign tax credits for qualifying levies of each country to use either a "facts and circumstances"

method or a "safe harbor" method to determine the amount of a levy that is not paid in exchange for a specific economic benefit.

Treas. Reg. §1.901-2A(d) describes the manner in which taxpayers may elect and revoke the safe harbor method. Treas. Reg. §1.901-2A(d)(4) provides that that election may not be revoked without the consent of the Commissioner. An application for consent to revoke the election must be made not later than 30 days before the due date (including extensions) for the filing of the income tax return for the first taxable year for which the revocation is sought to be effective, with certain exceptions not applicable to this situation. The Commissioner may make his consent to any revocation conditioned upon adjustments being made in one or more taxable years so as to prevent the revocation from resulting in a distortion of the amount of any item relating to tax liability in any taxable year. The Commissioner will normally consent to a revocation under the circumstances described in §1.901-2A (d)(4)(i) through (vi).

Treas. Reg. §1.901-2A(d)(4)(vi) provides that the Commissioner will normally consent to a revocation of a safe harbor election if the election has been in effect with respect to at least three taxable years prior to the taxable year for which the revocation is to be effective.

Based solely on the information and representations submitted, Corp A's application for consent to revoke the safe harbor election with respect to qualifying levies of Country M and its political subdivisions was made not later than 30 days before Date P, the due date (including extension) for Corp A's U.S. consolidated federal income tax return for Tax Year Y, and the applicable safe harbor election has been in effect with respect to at least Corp A's last three taxable years prior to Tax Year Y. Accordingly, consent is granted to Corp A to revoke the safe harbor election effective for Tax Year Y and for all subsequent taxable years.

No opinion was requested, and no opinion is expressed, as to whether, based upon all of the relevant facts and circumstances, the amount (if any) paid pursuant to a levy or levies imposed by Country M is not an amount paid in exchange for a specific economic benefit.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Richard L. Chewning  
Senior Counsel, Branch 3  
Office of the Associate Chief Counsel  
(International)

Enclosure (1): Copy for 6110 purposes

cc: